

Message Text

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21

ACTION EB-07

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CIAE-00 COME-00 DODE-00 FRB-01 H-02 INR-07 INT-05

L-03 LAB-04 NSAE-00 NSC-05 PA-02 AID-05 CIEP-02 SS-15

STR-04 TAR-01 TRSE-00 USIA-15 PRS-01 SP-02 OMB-01

DRC-01 XMB-04 OPIC-06 /124 W
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R 250905Z JUL 75

FM AMEMBASSY GABORONE

TO SECSTATE WASHDC 6827

INFO AMEMBASSY LUSAKA

AMEMBASSY LONDON

AMEMBASSY MASERU

AMEMBASSY MBABANE

AMEMBASSY PRETORIA

AMEMBASSY JOHANNESBURG

UNCLAS GABORONE 0989

E.O. 11652: N/A

TAGS: EIND, EFIN, BC

SUBJECT: FOREIGN INVESTMENT CLIMATE AND STATISTICS

REF: STATE 165596

1. INVESTMENT CLIMATE:

A. BOTSWANA, AS A STABLE, MULTI-PARTY AND MULTI-RACIAL DEMOCRACY IN SOUTHERN AFRICA, OFFERS AN ESPECIALLY ATTRACTIVE INVESTMENT CLIMATE. THE COUNTRY IS RICHLY ENDOWED WITH MINERALS RESOURCES, MUCH GOOD FARM LAND AND MAGNIFICENT WILDLIFE. IT SEES FOREIGN INVESTMENT AS A KEY FACTOR IN ITS DEVELOPMENT AND ACTIVITY SEEKS PRIVATE CAPITAL FOR THE DEVELOPMENT OF MINERALS, MANUFACTURING INDUSTRIES AND AGRICULTURE.

B. THE WCOME TAX ACT 1973 PROVIDES FOR GENEROUS RELIEF

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ON CAPITAL EXPENDITURE, AND OTHER SPECIAL INCISIVE TAX RELIEF

MAY BE GRANTED TO VENTURES PROVIDING SUBSTANTIAL EMPLOYMENT AND TRAINING FOR CITIZENS, THAT OFFER CITIZEN PARTICIPATION IN MANAGEMENT AND OWNERSHIP, AND THAT ARE LOCATED IN AREAS OF DEVELOPMENT NEED AND ARE LIKELY TO FOSTER SECONDARY GROWTH. IN CASES OF MAJOR INVESTMENT OF KEY IMPORTANCE TO BOTSWANA'S DEVELOPMENT, SPECIAL ARRANGEMENTS CAN BE NEGOTIATED WITH GOVERNMENT UNDER WHICH ANY PROVISION OF THE GENERAL TAX LAW MAY BE VARIED.

C. THE BOTSWANA CONSTITUTION PROHIBITS NATIONALIZATION UNLESS APPROVED BY THE NATIONAL ASSEMBLY, AND GUARANTEES PROMPT PAYMENT OF ADEQUATE COMPENSATION. BOTSWANA IS A SIGNATORY TO THE INTERNATIONAL CONVENTION OF THE SETTLEMENT OF DISPUTES AND HAS SIGNED A BILATERAL INVESTMENT AGREEMENT WITH THE UNITED STATES.

D. EXCEPT THAT ALL INVESTMENT PROPOSALS MUST BE APPROVED BY THE GOVERNMENT, THERE ARE NO RESTRICTIONS ON PRIVATE FOREIGN INVESTMENT AND NO LIMITATION ON REPATRIATION OF PROFITS.

E. BOTSWANA IS IMPLEMENTING AN INCOMES POLICY DESIGNED TO CONTROL WAGES IN ORDER TO MAXIMIZE DEVELOPMENT OPPORTUNITIES. ALTHOUGH VOCATIONAL TRAINING IS INCREASING, THERE IS A SHORTAGE OF SKILLED WORKERS. EIGHT TRADE UNIONS HAVE BEEN ESTABLISHED, BUT TO DATE THE STRIKE HAS BEEN USED SPARINGLY.

F. BOTSWANA'S ANNUAL GROWTH RATE (AT CONSTANT PRICES) HAS AVERAGED 15 PERCENT SINCE 1968 AND CONTINUED GROWTH AT 14 PERCENT IS PROJECTED THROUGH 1978. RAPID EXPANSION IS BASED ON MAJOR DEVELOPMENTS IN THE MINING AND LIVESTOCK SECTORS WHICH PROMISE TO PROVIDE A SOLID BASE FOR FUTURE INDUSTRIALIZATION.

G. BOTSWANA'S MEMBERSHIP IN THE SOUTHERN & AFRICAN CUSTOMS UNION (WITH SOUTH AFRICA, SWAZILAND AND LESOTHO) OFFERS DOMESTIC PRODUCERS DUTY-FREE ACCESS TO ONE OF AFRICA'S LARGEST MARKETS. GIVEN THE COMPLETION OF A ROAD LINK WITH ZAMBIA IN MID-1976, BOTSWANA WILL ALSO HAVE ACCESS TO THE AFRICAN COUNTRIES NORTH OF THE ZAMBESI, WHICH PROHIBIT THE

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IMPORTATION OF GOODS FROM SOUTH AFRICA. BOTSWANA HAS BEEN DESIGNATED AS A BENEFICIARY DEVELOPING COUNTRY UNDER THE U.S. AND EEC GENERALIZED PREFERENCE SCHEMES, MAKING IT ELIGIBLE FOR PREFERENTIAL TARIFF TREATMENT ON MANUFACTURERS AND SEMI-MANUFACTURERS.

H. OPIC HAS INSURED A \$22 MILLION INVESTMENT BY A MAJOR U.S. FIRM IN A LARGE COPPER-NICKEL MINE AND IS PROVIDING

GUARANTEES TO TWO OTHER U.S. MINING COMPANIES CURRENTLY PROSPECTING IN BOTSWANA. IN 1971, THE OPIC BOARD OF DIRECTORS RESOLVED TO TAKE SPECIAL MEASURES IN PROMOTING INDUSTRIALIZATION IN BOTSWANA, LESOTHO AND SWAZILAND.

2. INVESTMENT STATISTICS:

A. U.S. DIRECT INVESTMENT STATICS

	BOOK VALUE AT END OF 1974	NET REIN- CAPITAL VESTED OUTFLOW EARNINGS	INTEREST REIN- VESTED EARNINGS	DIVIDENDS, AND BRANCH EARNINGS
TOTAL, ALL INDUSTRIES	\$71,672500			
MINING AND SMELTING	\$71,578,850##	NONE	NONE	NONE
PETROLEUM				
MANUFAC- TURING	\$25,000##	UNKNOWN	UNKNOWN	UNKNOWN
OTHER INDUSTIES	\$75,000##	UNKNOWN	UNKNOWN	UNKNOWN

SOURCE: # BAMANGWATO CONCESSIONS LIMITED (BCL)
POST ESTIMATE

BE. DIRECT INVESTMENT BY OTHER COUNTRIES
ESTIMATE DIRECT FOREGN INVESTMENT###
1971 1972 1973
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\$38 MILLION \$60 MILLION \$53 MILLION
SOURCE: ### IBRD REPORT INCLUDES U.S. NO FURTHER BREAKDOWN
AVAILABLE.

C. DIRECT INVESTMENT IN THE U.S. BY FOREIGNERS
NONE.
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